



For PERS
Defined Contribution Retirement Plan (DCRP) and
457 Deferred Compensation Plan (457 Plan)
Participants

Montana Public Employee Retirement Administration (MPERA)

September 2007

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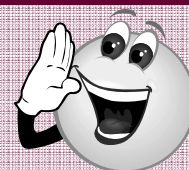
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*Should any information in this
newsletter conflict with statute or
rules, the statute or rules will apply.*

Important Changes to your DCRP or 457 Plan



457 Plan Investment Options Annual Review & Update

The Public Employees' Retirement Board (PERB) and the Employee Investment Advisory Council (EIAC) recently completed their annual review of the investment options offered in your 457 Deferred Compensation Plan.

Detailed information regarding the review process may be found at mpera.mt.gov, including:

- the PERB's 457 Investment Policy Statement;
- the investment options fund data sheets; and
- EIAC recommendations.

Based upon the review, the PERB decided to:

1. Discontinue the **TCW Galileo Select Equities** fund (large cap growth) and map assets to the **Fidelity Contrafund** (large cap growth).
2. Retain the **Neuberger Berman High Income Investors** fund (high yield bond) on probation.

The **TCW Galileo Select Equities** fund has trailed its indices and peers during the last several years and failed to meet Investment Policy Statement criteria over both the three and five year time frames. Additionally, the fund experienced significant manager and staff re-assignment. Because its asset class and category are the same as the **Fidelity Contrafund**, mapping assets to the **Fidelity Contrafund** provides a consistent and comparable investment option.

The **Neuberger Berman High Income Investors** (see related article on page 3) was placed on probation last year for failing to meet the PERB's performance benchmarks. While it is still underperforming to its peer group this year, it is believed to be assuming less risk than its peers and the index. The fund tends to focus on the higher-quality range of below-investment grade bonds and has a lower than index duration. This style should be effective when spreads broaden and bears monitoring, but not discontinuation at this time. ■

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457 Plan ASSET TRANSFER and FREEZE PERIOD

Participants who have assets in TCW Galileo Select Equities have until 2:00 p.m. MST, on Thursday, December 6, 2007 to transfer their assets to other available investment options. To transfer assets, participants may contact Great West Retirement Servicessm by:

- ✓ calling KeyTalk, toll free at (877) 699-4015 and either using the voice response system or talking to a customer service representative during normal business hours (8 a.m. to 5 p.m. MST); or
- ✓ using the Plan's website: mperadcpans.com

Participants using the website will need their username and password. Participants who have forgotten or misplaced their username or password should contact the customer service representatives at the above toll-free number for assistance.

Participants may also contact Montana Great West Retirement Services' offices toll-free at (800) 981-2786 or in Helena at (406) 449-2408 to receive personal assistance.

Assets remaining in TCW Galileo Select Equities, after 2:00 p.m. on December 6, 2007, will automatically be transferred to Fidelity Contrafund.

A **transaction freeze period** must occur when investment options are discontinued or changed.

The freeze period allows for the asset transfer and reconciliation. A brief freeze period (or "quiet" period) will begin at 2:00 p.m. MST on December 6, 2007 and end the morning of December 7, 2007. During this brief period, no transactions to either TCW Galileo Select Equities or Fidelity Contrafund will be permitted. ■



Name Change - 457 Plan Neuberger Berman High Income Investors

Effective February 28, 2007, the **Neuberger Berman High Income Investors** fund changed its name to the **Lehman Brothers High Income Bond** fund. Participants in this fund may have noticed the name change on their quarterly statements or as they transferred or re-allocated assets.

The name change did not, in any manner, affect the fund's investing style, portfolio or share price. The new ticker symbol is LBHBX.

457 & DCRP Important Reminders

- 😊 Keep personal information, such as addresses and beneficiaries, up-to-date.
- 😊 Review your quarterly statements.
- 😊 Periodically review your investment and asset allocations – make appropriate changes.
- 😊 Consider increasing your 457 plan deferrals when your salary increases.

Good News!

Currently, participants in the Defined Contribution Retirement Plan are assessed 50 basis points (1/2 of 1%) annually to cover MPERA's administrative costs. This fee was capped at \$300 annually effective January 1, 2006.

Effective with the quarter ending September 30, 2007, the 50 basis point fee **will decrease** to 25 basis points (1/4 of 1%) annually or 0.0625% quarterly. The \$300 annual cap will remain in place.

DCRP Investment Options Annual Review & Update

The Public Employees' Retirement Board (PERB) and the Employee Investment Advisory Council (EIAC) recently completed their annual review of the investment options offered in the Defined Contribution Retirement Plan (DCRP).

Detailed information regarding the review process may be found at mpera.mt.gov, including:

- the PERB's DCRP Investment Policy Statement;
- the investment options' fund data sheets; and
- EIAC recommendations.

Based upon the review, the PERB decided to:

1. Maintain the **SSGA International Growth Opportunities** (international growth) fund on probation.
2. Remove the **Vanguard Equity Income** (large cap value) fund from probation status.

The SSGA International Growth Opportunities

fund was placed on probation in 2006 because it failed to meet Investment Policy Statement criteria.

The fund is continuing to underperform its peer group, but appears to be improving. Continued monitoring is prudent and justified.

The **Vanguard Equity Income** fund was also placed on probation in 2006. However, its performance was in the top quartile for 2006 and significantly outpaced the S&P 500 index. Due to this notable improvement and because it meets all Investment Policy Statement criteria, removal from probation is appropriate. ■

"Detailed information regarding the review process may be found at mpera.mt.gov."



Mutual Fund Requirements and Regulations

Trading Restrictions, Transaction Fees and Data Disclosure

Mutual fund houses invest and manage their portfolios to achieve set goals or outcomes. To maximize their ability to manage and achieve returns, investment houses may impose:

- trading restrictions; or
- specific fees on certain transactions, redemptions or transfers.

Each fund's prospectus or other disclosure documents will state any trading restrictions or transaction fees.

Additionally, a recent Securities Exchange Commission (SEC) rule, Rule 22c-2, requires plan-level brokers to cooperate with mutual fund houses and provide data of underlying participant trading information. The intent of Rule 22c-2 is to identify excessive traders and/or market timers.

In compliance with Rule 22c-2, Great West Retirement Services (GWRS), the Plans' recordkeeper, has reached agreements with mutual fund houses to provide, when requested, the following individual participant data:

- participant social security number
- plan account number
- individual participant transaction amount
- trade date
- type of transaction.

Further, after a mutual fund house reviews the information provided by GWRS, GWRS has agreed to take reasonable steps to restrict or prohibit further transactions by any participant that has been identified as engaging in transactions that violate the specific fund's trading policies.

Participants are encouraged to pay attention and note all restrictions when trading between investment options. Participants should be aware that trading may be restricted if they violate trading conditions set in any mutual fund's prospectus.

The PERB does not impose and has no discretion over trading restrictions and these types of transaction fees. ■



RECORDKEEPING AND ADMINISTRATIVE SERVICES REQUEST FOR PROPOSAL COMPLETE — NEW CONTRACTS IN PLACE

The PERB previously contracted with:

- √ Great West Retirement Services (GWRS) to provide recordkeeping and limited administrative services; and
- √ Arnerich, Massena and Associates, Inc. to provide independent investment consulting services.

Both of these contracts expired within the last year. In compliance with state procurement law, the services were re-bid through the Request for Proposals process. The process resulted in:

- √ GWRS being re-awarded the contract for recordkeeping, limited administrative, and education services, effective July 1, 2007 for a five-year period; and
- √ Wilshire Associates being awarded the contract for investment consulting services, effective August 1, 2007 for a five-year period.

Generally, participants should see smooth continuity of services. Notable enhancements include:

- √ lower recordkeeping fees for DCRP participants.
 - Effective July 1, 2007, GWRS' fees were reduced from \$18.25 per quarter to \$14.25 per participant per quarter.
- √ more education opportunities with registered securities representatives.
 - In the past, GWRS has had two registered securities representatives in the state. One additional representative will be added, resulting in:
 - a representative based in Missoula, serving the western part of the state;
 - a representative based in Helena, serving the central part of the state; and
 - a representative based in Billings, serving the eastern part of the state. ■